

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 SP-02 USIA-06 AID-05
EB-08 NSC-05 TRSE-00 SS-15 STR-06 OMB-01 CEA-01
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 L-03 AGRE-00 PRS-01 PA-01
INT-05 OES-07 DOE-11 SOE-02 /135 W
-----071778 280546Z/20

R 271953Z JAN 78

FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 4537
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY OTTAWA
AMEMBASSY TAIPEI
AMEMBASSY SEOUL
AMEMBASSY TOKYO

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USEEC

E.O.11652:N/A
TAGS: ETRD, EEC
SUBJECT: EC-CANADA: HIGH LEVEL CONSULTATIONS

1. SUMMARY: EC COMMISSION AND CANADIAN OFFICIALS HAD NUMBER OF MEETINGS DURING WEEK OF JANUARY 16 IN BRUSSELS ON MULTILATERAL AND BILATERAL ECONOMIC QUESTIONS. SIGNATURE OF A NUCLEAR SAFEGUARDS AGREEMENT REPORTED SEPTEL (BRUSSELS 963). HIGHLIGHTS OF OTHER SUBJECTS DISCUSSED, ACCORDING TO CANADIAN MISSION AND EC COMMISSION OFFICIALS, FOLLOW. CANADIAN DELEGATION LED BY ASSISTANT UNDER SECRETARY FOR EXTERNAL AFFAIRS MCPHAIL AND ASSISTANT DEPUTY MINISTER FOR INDUSTRY, TRADE, AND COMMERCE GUERIN. EC SIDE LED BY DEPUTY DIRECTOR GENERAL FOR EXTERNAL

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RELATIONS LOEFF AND DEPUTY DIRECTOR GENERAL FOR INDUSTRY CECCHINI. END SUMMARY

2. MEETINGS CONSISTED OF SEVERAL SUB-COMMITTEE SESSIONS ON SPECIFIC INDUSTRIAL PROBLEMS DESIGNED TO PREPARE FOR SECOND SESSION OF JOINT COOPERATION COMMITTEE ESTABLISHED UNDER EC-CANADA FRAMEWORK AGREEMENT, SCHEDULED FOR MARCH

IN OTTAWA; FORMAL GATT ARTICLE XIX CONSULTATIONS ON
CANADIAN RESTRAINT MEASURES ON FOOTWEAR AND THE 10TH
ROUND OF SEMI-ANNUAL EC-CANADA HIGH LEVEL CONSULTATIONS.
(ONE COMMISSION OFFICIAL COMMENTED THAT ORGANIZATIONAL
FRAMEWORK OF EC-CANADA CONSULTATIONS WAS TENDING TO GET
OUT OF HAND AND EVENTUALLY WOULD NEED TO BE SIMPLIFIED.)
SUBJECTS DISCUSSED FOLLOW:

3. THE MTN - COMMISSION AND CANADIAN OFFICIALS SAY THAT
DISCUSSION WAS RELATIVELY BRIEF. CANADIANS DISTRIBUTED
THEIR OFFERS IN ADVANCE OF GENEVA TABLING BUT DID NOT
SEEK DISCUSSION OF SECTORS. THERE WAS SOME DISCUSSION
OF THE NEED TO OBTAIN CONCESSIONS FROM EAST EUROPEAN
COUNTRIES IN THE MTN BUT NEITHER SIDE MADE CONCRETE
SUGGESTIONS. BOTH SIDES AGREED TO HAVE AN EARLY MEETING
IN GENEVA TO SEEK TO DEVELOP SPECIFIC PROPOSALS ON TREAT-
MENT OF EAST EUROPEANS.

4. ARTICLE XIX CONSULTATION ON FOOTWEAR - COMMISSION
COMPLAINED THAT CANADIAN ACTION IN RESTRICTING IMPORTS
THROUGH A GLOBAL QUOTA WILL HURT EC EXPORTERS. BOTH
SIDES INDICATED TO MISSION THAT CANADIAN ACTION WAS
MEANT TO AFFECT SHOES IN MID AND UPPER PRICE RANGES,
WHICH ARE POSING GREATEST THREAT TO PRODUCERS, AND NOT
LOWEST PRICED SHOES. CANADIANS APPARENTLY SUCCESSFULLY
DEMONSTRATED THAT EC SHARE OF MARKET HAS NOT BEEN
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DECLINING AS EC HAD CONTENDED; CANADIANS ALSO ARGUED THAT
EC SHOULD NOT MOVE TO RETALIATE UNTIL CANADIAN SYSTEM'S
EFFECT ON IMPORTS HAD HAD A CHANCE TO EMERGE. DISCUSSION
ENDED WITH CONSULTATIONS BEING LEFT OPEN. COMMISSION
CONCERN IS THAT CANADIAN ACTION WILL CONTRIBUTE TO
PRESSURE, WHICH ALREADY IS HIGH IN EUROPE, TO RESTRICT
FOOTWEAR IMPORTS. MOST LIKELY STEPS WHICH MEMBER STATES
AND INDUSTRY WOULD SEEK TO IMPOSE ON COMMISSION WOULD BE
RESTRAINT AGREEMENT WITH SOUTH KOREA AND AUTONOMOUS
MEASURES AGAINST TAIWAN.

5. THE GENERAL ECONOMIC SITUATION - CANADIANS ARGUED
THAT WEST EUROPEAN COUNTRIES SHOULD ACT TO RE-FLATE
THEIR ECONOMIES. COMMISSION REPORTEDLY AGREED AND SAID
IT PLANS TO PUSH THE FRG IN PARTICULAR IN THIS DIRECTION.

6. STEEL - CANADIANS EXPRESSED CONCERN THAT EC MEASURES
WOULD LEAD TO A DIVERSION OF STEEL INTO CANADA AND ALSO
THAT, FOR SOME STEEL PRODUCTS, CANADIAN FIRMS ARE
COMPETITIVE AND COULD SHIP INTO THE EC MARKET BELOW THE
BASE PRICE. THE QUESTION OF A POSSIBLE BILATERAL
AGREEMENT AS PART OF THE EC PHASE II OPERATION ON STEEL

WAS LEFT OPEN. THE COMMISSION INDICATED IT WOULD NOT SEEK A BILATERAL BUT WOULD BE WILLING TO DISCUSS ONE IF CANADA WERE INTERESTED.

7. TEXTILES - CANADA INDICATED THAT IT WOULD NEED AT LEAST THE NEXT SIX MONTHS TO NEGOTIATE BILATERAL RESTRAINT AGREEMENTS WITH TEXTILE EXPORTERS AND THAT IT WOULD NOT DECIDE WHETHER TO ADHERE TO THE MULTI-FIBER AGREEMENT UNTIL AFTERWARDS.

8. EXPORT CREDITS - CANADIAN SOURCES TELL US THAT THEY TOOK AN EVEN STRONGER LINE THAN THE USG IN URGING EC ADHERENCE TO AN IMPROVED CONSENSUS, WITH HIGHER INTEREST RATES AND GREATER DISCIPLINE.

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9. AGRICULTURE - EC SIDE REVIEWED ITS POSITIONS ON A

NUMBER OF AGRICULTURAL QUESTIONS AND, ACCORDING TO
CANADIANS, EXPRESSED SOME UNHAPPINESS WITH ROLE US HAD
PLAYED WITH RESPECT TO FEED GRAINS AT LAST LONDON IWC
MEETING. CANADA ALSO ARGUED THAT EC BARLEY MALT
RESTITUTIONS ARE DISRUPTING WORLD MARKET AND ASKED EC
TO LOOK INTO LEVEL OF ITS RESTITUTIONS ON CHEESE TO
CANADA. CANADIANS CLAIM THAT RECENT INCREASES,
PARTICULARLY ON GOUDA, ARE HIGHER THAN WOULD BE
JUSTIFIED BY MONETARY FLUCTUATIONS AND ARE DISRUPTING
CANADIAN MARKET.

10. THERE WERE ALSO GENERAL DISCUSSIONS ON NORTH/SOUTH
RELATIONS AND ENERGY QUESTIONS. CANADIAN SIDE ALSO
BRIEFED COMMISSION ON THE US-CANADA GAS SWAP AGREEMENT
WORKED OUT DURING RECENT VISIT OF VICE PRESIDENT MONDALE
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